
SPECIAL FOCUS GROUP STUDIES

When the Council accepted the challenge of developing a model for accurately surveying women-owned businesses, they recognized that no matter how complete a pilot study they commissioned, there would be areas which could not be tested through ordinary survey research. Examination can be done, however, through the use of focus groups which, although they do not produce scientifically provable data, offer good insights into the range of responses accessible through research, and can be invaluable both in analyzing data from broader studies and in planning future narrower-based studies.

Women business owners are no more a homogenous group than men business owners, but in addition to specific industry, the Council finds there is one clear method of logically categorizing them--into start-ups (less than five years old), mezzanine or mid-range businesses looking for growth capital and opportunities, and successful, well-financed enterprises.

Businesses in the first category, start-ups, are rarely measured by the usual survey methods--partly because they are harder to find. Some research is available on start-ups in general, but there is no gender-specific data available, making this an ideal topic for focus group exploration.

The four focus groups were held in St. Louis and Springfield, Missouri in September, 1992. Participants were women from a broad range of home-based, retail, wholesale, service and agricultural businesses. Most had been in business from one to three years.

RESULTS

If the Missouri focus groups present an accurate picture, the average woman at this stage in her business thinks of herself as a risk-taker, regrets not having done more market research, likes the freedom and sense of self-respect she has achieved, didn't go into this to get rich, is concerned about financing growth and thinks the SBA has very little to offer. She sees traditional male operating styles as the barrier to progress in the workplace, and attracting, recruiting and keeping reliable employees as the biggest problem in running her business.

Previous studies of women-owned businesses appear to show women starting with much lower levels of funding and expanding more slowly. Obviously lack of access to capital is the primary reason for this, but in this focus group as well as in other investigations there appears to be a difference not in attitude toward business or ambition, but in terms of expectations. Women entrepreneurs appear to set lower goals, and have lower income expectations and lower estimations of funding needed for start-up or expansion. Further study should be done to assess this pattern.

DIRECTORY OF STATE PROGRAMS TO ASSIST WOMEN BUSINESS OWNERS

Although the Office of Women's Business Ownership at SBA and the National Association of Women's Business Advocates (NAWBA) had gathered some information, there had never been a complete directory of state programs, set-asides and services for women business owners. The Council completed the research for such a directory, the first edition of which was published in 1992 with the cooperation of NAWBA and Entrepreneur Magazine.

To obtain copies of or information concerning the directory, contact:

Melody Borchers, President
National Association of Women's Business Advocates
c/o Ohio Department of Development
777 South High Street
Columbus, Ohio 43266-0101

WOMEN ENTREPRENEURS IN TELECOMMUNICATIONS— DENVER, MARCH, 1992

The Council met in Denver on March 16, 1992 to explore opportunities for women in the telecommunications industry. They heard testimony from business owners, financial experts, government officials, academics and others involved in the telecommunications industry. The following is a brief summary of the testimony.

Telecommunications offers women the opportunity to participate as equals in an integrated industry. Unlike traditional male-dominated sectors of the economy, this rapidly expanding industry offers abundant opportunity for anyone with the ideas, products and skills to build a business. Many women are bypassing the management "glass ceiling" by moving directly into ownership in one of the many telecommunications fields.

IMPEDIMENTS TO WOMEN IN TELECOMMUNICATIONS

While increasing numbers of women continue to enter the telecommunications industry, there is still a marked lack of women with the technical and managerial expertise--plus length of experience--to start a successful telecommunications business. Second, there appears to be no information networks currently established for women entrepreneurs which can provide advice and support from other women. Third, access to capital is extremely difficult. This is a capital-intensive industry, generally requiring a substantial start-up investment. Sources of capital are limited, partially due to the risk factors involved, and women business owners are less likely to know where to look for capital.

THE EXPERT ROUNDTABLE

The Denver hearing was followed by an expert roundtable discussion on prospects for women business owners in the telecommunications industry in which twenty-nine men and women participated.

In addition to the members of the National Women's Business Council, they represented government, academia, banking, venture capital firms, the media and a variety of large and small telecommunications firms. Several were women business owners.

Discussion centered on two topics: 1) defining tomorrow's telecommunications marketplace, and 2) pre-planning to allow women equal access to this marketplace.

The expert group's recommendations were as follows:

1. Promote the formation of entrepreneurial development funds with tax breaks similar to those of foundations, as well as grant programs and joint ventures in which large companies nurture small and emerging businesses.
2. Generate public policy initiatives encouraging corporate incubation of small businesses for the purposes of training, support and mentoring.
3. Develop networks and associations that bring together women involved in telecommunications for the purpose of exchanging ideas and information about their experiences in telecommunications. Through these networks a program of technical assistance partnerships can be developed.

A PLAN FOR THE FUTURE

1993 will be a year of change and a year of growth for women-owned businesses as the economy improves and sources of capital open up for women as well as business in general. Barriers to progress still exist, however, and many of the changes required to remove those barriers have not taken place.

1993 will be the final year of the Council's original five-year mandate. In addition to further development of the Council's studies and programs on the issue of access to capital, and a continuing focus on improved access for women to the government procurement process, the Council will look beyond our borders at opportunities for U.S. women business owners in the global economy.

The goals of the Council's mandate will not all be achieved by the end of 1993. The following activities may not all be completed within that time frame, but are priorities on the Council agenda.

- A hearing on opportunities for women in trade with Latin America and the Pacific Rim, to be held in March, 1993.
- Regional Symposia on Access to Capital under the sponsorship of the Federal Reserve.
- A Women's Economic Summit, tentatively scheduled for September, 1993.
- Efforts to ensure maintenance and expansion of the National Directory of State Programs for Women Business Owners.
- Development of a joint strategic plan with the members of the Interagency Committee on Women's Business Enterprise, which we hope will be reactivated under President Clinton.
- Follow-up on the further studies suggested by the results of the Missouri Pilot Study and focus groups.

SUMMARY AND HIGHLIGHTS



1994

Membership Survey of the National Association of Women Business Owners

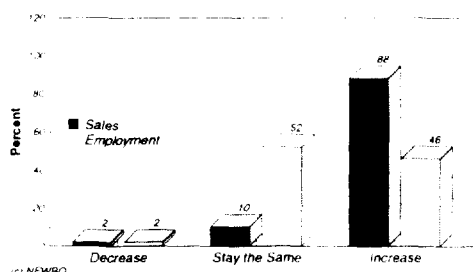
Presented by
The National Association of Women Business Owners
The National Foundation for Women Business Owners
and Corporate Partner IBM

Women Business Owners Are On The Move

Women-owned businesses continue on their growth-oriented path to the 21st Century. The 1994 NAWBO membership survey reveals that members expect growth in sales, employment and business opportunities in the coming year:

- 88% expect their sales to increase during 1995, by an average 29%;
- 46% expect to increase employment during 1995, by an average 14%.

Strong Sales Growth Expected in 1995; Employment Growth Moderate



- Their business plans in the coming year include:

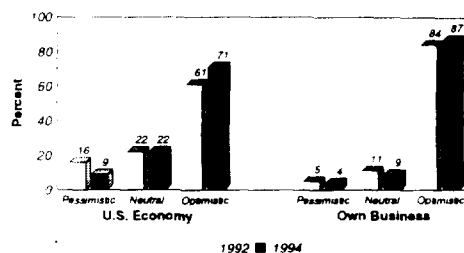
- ✓ improving the quality of products and services (71%),
- ✓ developing new products/services (55%),
- ✓ expanding into new markets in the U.S. (45%),
- ✓ increasing capital investment in the business (38%),
- ✓ increasing investment specifically in technology (33%).

- 12% of women business owners are now involved in international trade; 29% expect to be involved within the next five years.

Women Business Owners Are Optimistic

- 87% of women business owners are optimistic about their overall business prospects in the next two years, a 3% increase from their view two years ago;

Women Business Owners More Optimistic About U.S. Economy and Their Businesses Than 2 Years Ago



- Fully 71% are optimistic about the U.S. economic outlook for 1995-96, a 10% increase from their view two years ago.

Important Concerns

Issues of business growth and profitability are among the most important concerns of NAWBO members today. The following issues are rated the most important of a list of 15:

- ✓ maintaining profitability (95% very or extremely important),
- ✓ managing growth (90%),
- ✓ managing cash flow (83%),
- ✓ keeping up with technology (71%),
- ✓ maintaining, upgrading employee skills (70%),
- ✓ the state of the economy (68%),
- ✓ finding & keeping quality employees (66%),
- ✓ expanding into new markets (62%),
- ✓ labor costs (56%),
- ✓ health care costs (54%),
- ✓ government regulation (43%),
- ✓ access to capital (41%).

Financial Savvy

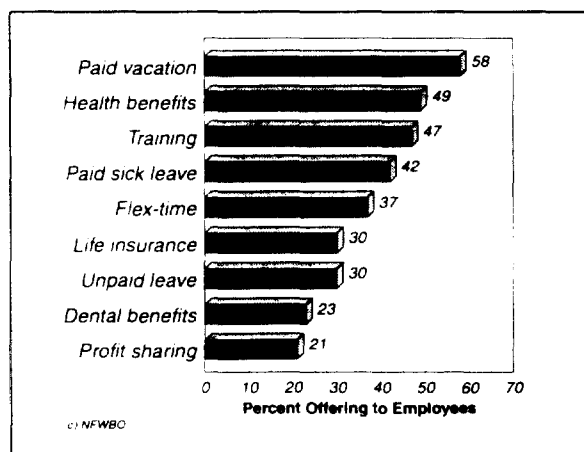
■ Over half (55%) of NAWBO members currently have some form of credit with a financial institution, and 56% report having a regular working relationship with a particular bank official, whether a loan officer or account manager.

■ Nearly six in ten (59%) NAWBO members were in the market for financing during 1994, and 44% report that capital availability is a current problem for their business. During 1994:

- ✓ 60% used business earnings to help meet their capital needs,
- ✓ 51% used credit cards,
- ✓ 38% used private sources (i.e., savings, family, friends),
- ✓ 32% obtained a commercial bank loan,
- ✓ 18% leased equipment,
- ✓ 12% obtained a personal bank loan,
- ✓ 12% used vendor credit.

Benefiting Employees

■ Over three-quarters of NAWBO members (78%) offer one or more benefits to their employees. The most commonly offered benefits are:



Computer Savvy

■ Nearly all women-owned businesses are now using computers—fully 93% of NAWBO members use computers in their businesses.

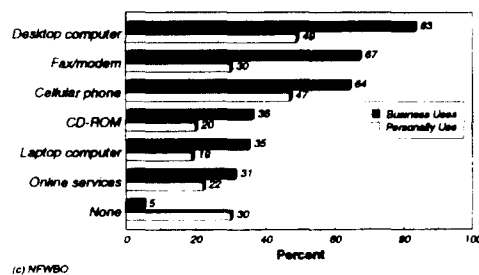
■ The uses of computers in these firms are varied—from word processing and accounting to desktop publishing, computer-aided design and electronic data interchange.

■ Women business owners are also going online. One-third (31%) of women business owners report that their business uses an online information service (such as Prodigy), and 22% of women business owners say that they have personally tapped into the Information Superhighway.

Mobile Technology

■ Many women business owners are on the leading edge of mobile computer technology as well. One-third (35%) of women business owners report the use of laptop computers in their businesses; 19% of women business owners use one themselves. Another 25% plan to purchase a laptop computer in the coming year.

Technologies Used By Women-Owned Businesses



■ Nearly two-thirds (64%) of women-owned businesses are using cellular phones in the conduct of business; nearly half (47%) of NAWBO members use one themselves.

Business Background

■ Most NAWBO-owned businesses, like a majority of businesses today, are in the service sector. NAWBO members are found in every sector of the economy—from agriculture to services, and every business in between:

- ✓ 62% are in services;
- ✓ 12% are in trade;
- ✓ 9% are in goods-producing industries.

■ The median gross annual sales of NAWBO businesses are between \$250,000 and \$499,999—47% earned less than \$250,000 in 1994; 38% earned \$500,000 or more. Nearly one in five (19%) grossed between \$1 and \$4.9 million; 7% grossed \$5 million or more.

■ NAWBO members are employers. Fully 84% of businesses owned by NAWBO members employ someone in addition to the owner. There are an average:

- ✓ 9.8 full-time employees,
- ✓ 3.6 part-time employees,
- ✓ 4.9 contract or temporary employees

in NAWBO businesses, not including the owner. Over half (54%) have 1-9 employees; 29% of NAWBO member-owned businesses have 10 or more employees.

Personal Background

■ NAWBO women are breadwinners—an average of 64% of their household's income is derived from the earnings of their business.

■ Fully three-quarters of NAWBO members are between the ages of 35 and 54.

■ Two-thirds of NAWBO members (65%) are married, 65% have children, and 36% have children still living at home.

■ Fully 70% of NAWBO members are college educated—27% have bachelors' degrees, 23% have a master's degree, and 7% have a Ph.D.

■ Their majors are varied: from liberal arts (32%) and business (27%) to science (8%), law (5%) and medicine (4%).

About NFWBO

The National Foundation for Women Business Owners is the National Association of Women Business Owners' non-profit research, leadership development, and entrepreneurial training foundation. Its mission is to support the growth of women business owners and their organizations through gathering and sharing knowledge.

About NAWBO

The National Association of Women Business Owners (NAWBO) provides a strong and continuing voice and vision for the nation's women business owners—economically, socially and politically.

NAWBO exercises leadership to create a business climate which realizes the integration of values, profits, technology and people.

NAWBO members nationwide benefit from NAWBO's local chapter activities, national advocacy, leadership development opportunities, expanded business contacts, and member discounts on products and services.

About the Survey

The 1994 NAWBO membership survey was mailed in December 1994 to the membership of NAWBO nationwide. After factoring in undeliverable or returned packages, there was an impressive 29% response rate to the survey.

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FINANCING THE BUSINESS

A Report on Financial Issues from the 1992 Biennial Membership Survey of Women Business Owners

Prepared By:

**The National Foundation for
Women Business Owners**

The National Foundation for Women Business Owners is the National Association of Women Business Owners' non-profit research, leadership development and entrepreneurial training foundation. Its mission is to support the growth of women business owners and their organizations through the accumulation and sharing of knowledge.

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FOREWORD

Despite an economy recently characterized by slow economic growth, women-owned businesses are making dramatic strides in the nation's business community. By the end of 1992, the more than 6.5 million women-owned businesses in the United States were estimated to employ more people than the Fortune 500 companies combined.¹

The 1992 National Association of Women Business Owners (NAWBO) Biennial Membership Survey² has uncovered some of the many avenues through which women-owned businesses are a powerful and expanding economic force. This report is a summary of one facet of that survey: the sources and types of financing used by women business owners.

The results of this survey demonstrate that, despite the significant growth seen in recent years among women-owned businesses, women business owners still face barriers in identifying and obtaining the financing necessary to operate and expand their businesses. Even given the successful and stable track records of women-owned firms, many of the women surveyed report serious concern about a range of financial issues. These issues and concerns will be explored in this report.

¹ Source: Women-Owned Businesses: The New Economic Force, a data report published by the National Foundation for Women Business Owners, 1992.

² The 1992 Membership Survey of Women Business Owners was conducted for the National Association of Women Business Owners by the National Foundation for Women Business Owners, and was sponsored by leading corporate supporters AT&T and IBM.

WOMEN-OWNED BUSINESSES: THE NEW ECONOMIC FORCE

Women-owned businesses are becoming an increasingly powerful economic force in the United States and an increasingly visible and powerful part of the marketplace, today employing more workers than the Fortune 500 companies combined.

The 1992 NAWBO membership survey clearly illustrates the expanding economic force of women-owned businesses. The survey found that women-owned businesses:

- boosted employment -- 25% added employees in the past year;
- increased sales -- 57% had increased sales over the previous year, with 23% of those surveyed reporting gross annual sales of over \$1 million;
- are not a new phenomenon -- three-quarters (77%) have been in business more than 4 years and 29% have been in business over 11 years.

1992 was a year of growth and expansion for women-owned businesses, even in the face of a slow national economy:

- 46% developed a new product or service line;
- 32% increased expenditures for equipment;
- 26% expanded into new domestic markets, 7% into new markets abroad.

Women business owners extended their optimism into the future as well:

- 66 percent expected sales to increase in 1992 over 1991 levels;
- 33 percent expected to add employees in 1992.

While women-owned businesses have shown significant growth in recent years and exhibit the potential for even greater growth in the future, they face financial barriers which could impede that growth. The availability of capital was cited by women business owners as one of the most significant barriers to their business' growth, second only to the "economic environment." Nearly four in 10 women business owners (39%) pointed to availability of capital as the most significant barrier to growth.

Business financing is thus one of **the** major issues that women business owners, public policy makers, and the financial community alike must address. Removing the barriers to access to capital is one of the surest ways to encourage growth not only among women-owned businesses, but all small businesses.

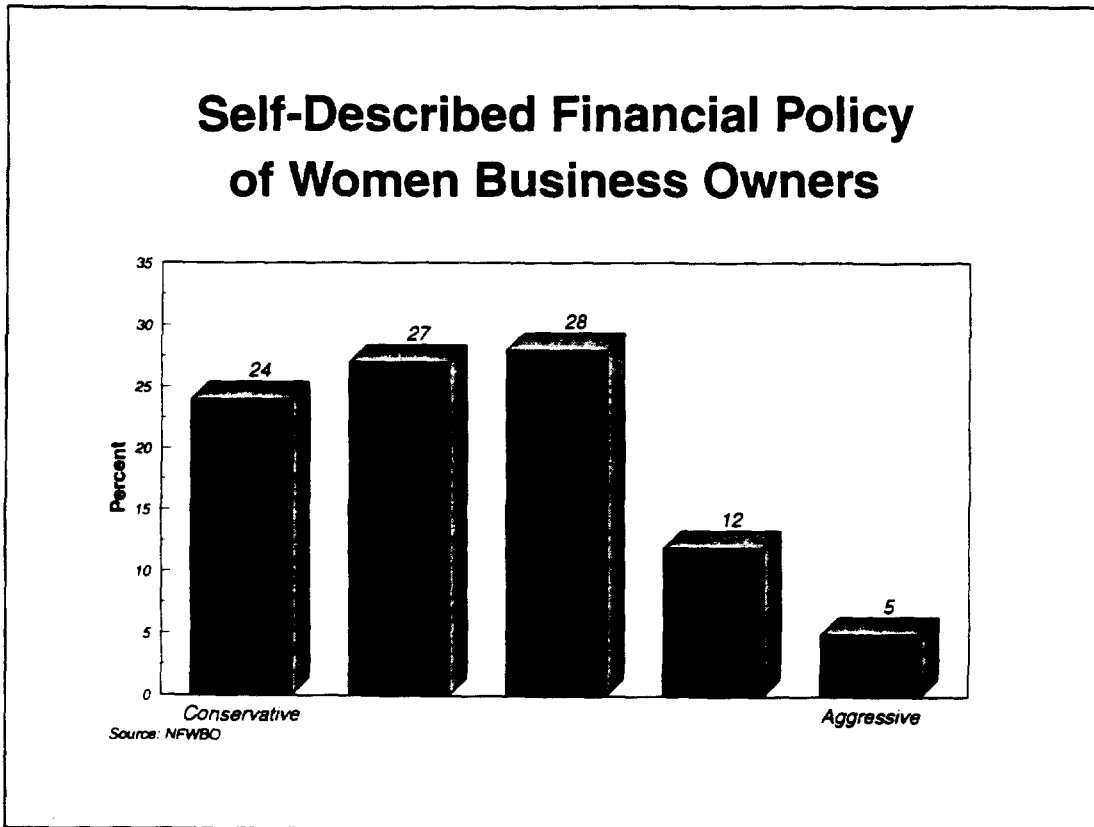
FINANCIAL PROFILE OF THE WOMAN BUSINESS OWNER

Women-owned businesses are represented throughout the economy -- in the business and professional services and retail trade sectors, as well as in manufacturing, finance/insurance/real estate and construction.

Other NFWBO research has shown that women-owned businesses grow somewhat more slowly and steadily than businesses at large. The NAWBO membership survey finds that women business owners tend to describe themselves as financially conservative in the management of their businesses, which would tend to promote a pattern of slow, steady growth over one of cyclical ups and downs.

When asked to describe their current financial policy on a scale of 1 (conservative/risk averse) to 5 (aggressive/highly debt tolerant), women business owners average 2.45.

Fully 51% rate themselves on the conservative end of the spectrum (1 or 2), 28% say they are in the middle, and only 17% classify themselves as financially aggressive (4 or 5).



MAJOR FINANCIAL BARRIERS

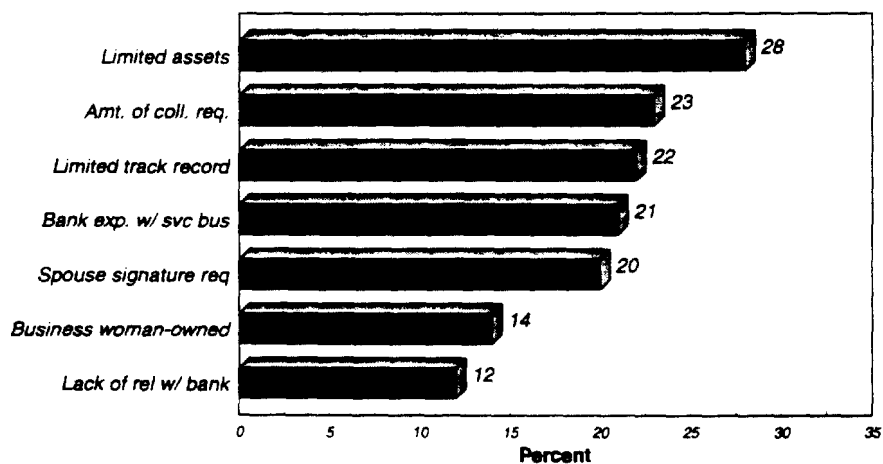
As previously indicated, the most serious self-described barrier to growth among women-owned businesses, next to overall economic conditions, is the availability of capital – and fully two-thirds of women business owners report difficulties in working with their financial institutions. In fact, **women-owned businesses are 22% more likely to report problems dealing with their bank than are businesses at large.**³

The most common complaint women business owners have in working with their banks in order to obtain financing is the need for more assets (28%) and greater collateral (23%), followed by a limited track record (22%) and the limited experience of banks in dealing with service businesses (21%).

The attitudes and practices of loan officers are another significant financial barrier to women-owned businesses. A surprising 20% of women business owners reported that their loan officer insisted upon their spouse's signature in order to obtain a loan, and another 14% believe that the mere fact that their business was woman-owned was an impediment to obtaining financing. **Thus, fully one-third of women business owners perceive some degree of gender-based discrimination.**

³ Two-thirds (67%) of NAWBO survey respondents cite barriers encountered when working with their bank, while a lesser 55% of all small to medium-sized firms report difficulties in obtaining financing. The latter figure (and all other comparative figures cited in this report) is obtained from a 1992 survey of firms with less than 500 employees conducted for National Small Business United and Arthur Andersen's Enterprise Group by The Gallup Organization. See Survey Results of Small and Middle Market Businesses: Attitudes, Issues, and Outlook, Arthur Andersen & Co., SC and NSBU, July, 1992, p. 10.

Barriers Between Women Business Owners and Their Banks



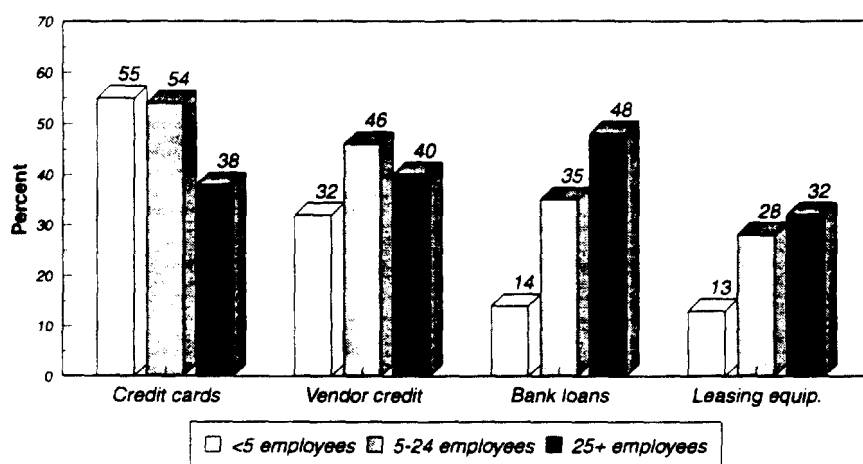
Source: NFWBO
Note: multiple responses allowed

SHORT-TERM CAPITAL NEEDS: TYPES AND SOURCES OF FINANCING

Three-quarters of all women-owned businesses have sought short-term financing within the past year. By far, the largest single type of short-term financing used by women business owners is credit cards. This varies significantly from the findings of the Arthur Andersen/NSBU study, in which more small businesses use bank loans and vendor credit than credit cards for short-term financing.

- One half (52%) of women-owned firms have used credit cards for short-term financing within the past year, compared with 18% of all small to medium-sized firms.
- Other types of short-term financing used by women-owned firms are: vendor credit (38%), commercial bank loans (26%), leasing equipment (21%) and personal bank loans (18%).
- Credit cards are used most frequently by smaller firms (both women- and men-owned), while the use of bank loans and leasing equipment is higher among larger firms.

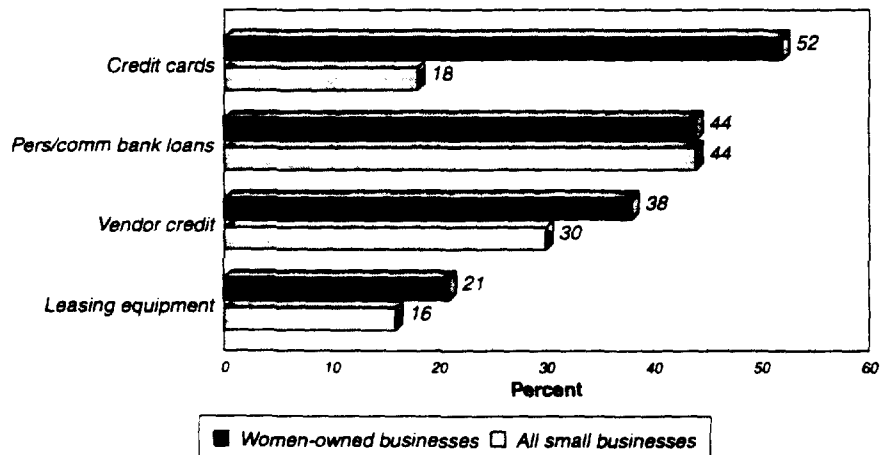
Types of Short Term Capital



Source: NFWBO

Note: Multiple responses allowed

Comparison of Types of Short Term Financing Used

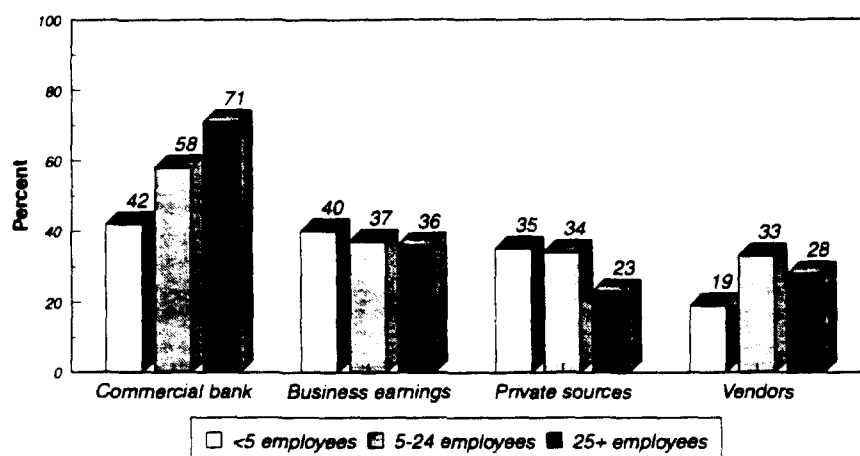


Source: NFWBO and NSBU
Note: Multiple responses allowed

Despite the problems encountered when seeking financing for their business, banks are the most popular source of short-term financing for women and men business owners alike. However, a larger proportion of women business owners rely on private sources for financing than do their male counterparts.

- Just over half (52%) of women-owned businesses have used a commercial bank for short-term financing within the past year, and usage increases with the size of the business – from 42% among those with fewer than 5 employees to 71% among those businesses with 25 or more employees. Similarly, 51% of all small to medium-sized businesses have used a bank for short-term capital needs.
- Other sources of short-term capital for women business owners include business earnings (38%), private sources such as personal savings, family and friends (33%), and vendors (25%).
- While 33% of women business owners utilize private sources for short-term capital needs, only 10% of all businesses seek short-term capital from private sources.

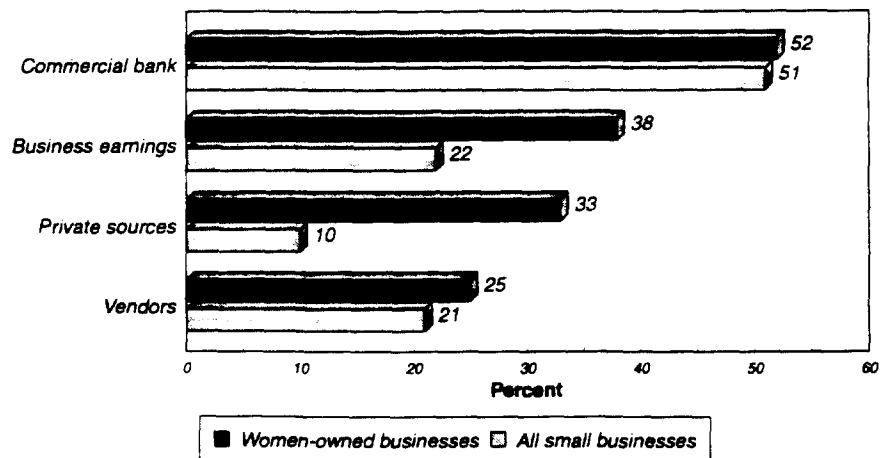
Sources of Short Term Capital



Source: NFWBO

Note: Multiple responses allowed

Comparison of Sources of Short Term Financing Used



Source: NFWBO and NSBU
Note: Multiple responses allowed

LONG-TERM CAPITAL NEEDS: TYPES AND SOURCES OF FINANCING

Just over six in 10 women business owners (61%) state that they have long-term capital needs, somewhat less than the 75% cited by all small- to medium-sized firms. The types of long-term capital sought within the past year or that women business owners plan to seek in the next 12 months include term loans from a financial institution and equipment leasing.

- Larger businesses are much more likely to be in the market for long-term financing than small firms. Only 45% of women-owned firms with less than five employees say they have or plan to seek long-term financing, while fully 75% of those with 25 or more employees are in the market.
- Forty-five percent (45%) of women-owned firms in the market for long-term financing (28% overall) have used or plan to use a term loan from a financial institution.
- Forty-two percent (42%) of those in the market (26% overall) have leased or plan to lease equipment on a long-term basis.
- Women-owned firms are less likely to use equity capital for long-term financing needs. Only 12% of those in the market (7% overall) have sought or plan to seek equity capital, compared to 19% and 14%, respectively, of all small- to medium-sized firms.